

Town Council
PUBLIC INFORMATION MEETING
Kiawah Island Municipal Center
Council Chambers
March 4, 2016; 4:00 PM

MINUTES

- I. Call to Order: Mayor Lipuma called the meeting to order at 4:00pm.**
- II. FOIA:** Notice of this meeting has been published and posted in accordance with the Freedom of Information Act and the requirements of the Town of Kiawah Island.

III. Roll Call:

Present: Charles R. Lipuma, Mayor
Mary Q. Johnson
John Wilson
Craig Weaver

Absent: John D. Labriola, Mayor Pro-Tempore

Also Present: Stephanie Monroe Tillerson, Town Administrator
Dennis Rhoad, Town Attorney
Petra Reynolds, Town Clerk

IV. New Business:

Mayor Lipuma made the following announcement regarding the alleged improper financial transactions occurring between 2011 and 2012;

As you are aware, last year the Town conducted a forensic audit of its financial records. That audit concluded that two former town employees – Tumiko Rucker and Kenneth Gunnells – were paid compensation over and above their authorized salaries during the period 2013 through 2015. It was also found that the Town’s payroll system and W-2 tax documents were manipulated in an effort to cover up those excess payments.

That forensic review identified other weaknesses in the Town’s financial controls and credit card and payroll processes. As noted in my July 2015 statement, four employees were found to have received excess pay during 2013 and 2014 as a result of the payroll and control weaknesses. It was determined that those four employees did not have access to the Town’s payroll system and were not involved in causing the overpayments.

Given the span of time and magnitude of the Town’s financial loss in 2013 through 2015, Town Council instructed the same forensic accountant to conduct a second review focused on payroll records for the two prior years - 2011 and 2012. This second review was restricted only to those years because payroll records before 2011 are not deemed to be sufficiently available in order to draw reliable conclusions.

Town Council has reviewed the findings of this final audit report and I am prepared to share a summary of those findings with you.

Findings

The report shows that the pattern of salary overpayments found earlier predated 2013, and occurred in both 2011 and 2012. The report also showed that the Town's payroll system and certain W-2 tax documents had been similarly manipulated in order to conceal the excess payments.

The reports identified an additional \$81,400 in aggregate excess payments to former employees Rucker and Gunnells. This was comprised of excess payments to Rucker of \$23,222 in 2011 and \$33,449 in 2012. Excess payments to Gunnells were \$11,753 in 2011 and \$12,976 in 2012. When added to the aggregate overpayment to both employees reported in the initial audit of approximately \$125,000, this brings the total overpayment to Rucker and Gunnells for the entire four and one-half year period to \$206,425.

This follow-up audit also found that salary overpayments to three current salaried employees also predated 2013 and occurred in both 2011 and 2012. As with the earlier report, this second audit found no evidence that these employees were involved in the overpayments.

The audit found no other losses or financial irregularities.

Corrective Action

The Town's attorney will make this complete report available to the US Attorney and other appropriate law enforcement, as was done with the initial report. While the Town understands that the US Attorney's office is continuing to investigate this matter, any criminal action resulting from these findings is solely at the discretion of Federal law enforcement. The Town is not privy to those considerations or the status of any investigation.

The Town has reached repayment agreements with three of the salaried employees and is working with the fourth for overpayments found from 2013 through 2015. The Town is also in the process of discussing repayment options for the 2011 and 2012 overpayments with the three salaried employees. The Town believes these employees were victims of fraudulent supervisors.

Closing Comments

I want to again express my regret that the Town experienced these improprieties by two employees who were in positions of considerable trust and responsibility -- and I want to emphasize that we have taken action and will continue to do so to recover as much of the lost funds as possible.

More importantly- and as I laid out to the community last summer when these matters first came to light -- we have implemented numerous new controls, systems, policies and safeguards and have brought into our organization new management -- all with the intent that this not happen again.

Among the most important actions taken, we have:

- Hired a new town administrator and treasurer;

- Engaged a new auditing firm and payroll provider;
- Established an Audit Committee staffed by citizens with significant audit experience.
- And instituted numerous changes to our financial policies and practices to ensure we have appropriate checks and balances in place at all times and are adopting financial “best practices”.

As I stated at the beginning of my remarks, this concludes the Town’s investigation into this matter. We of course will continue to cooperate with law enforcement and provide any additional records or information they might seek. As we did with the original forensic report and my comments of last July, we will make this additional report and my comments made today available on the Town’s website as soon reasonably possible, certainly by the end of the day on Monday.

The Mayor answered questions from the public in attendance.

V. Adjournment:

Mrs. Johnson made a motion to adjourn the meeting at 4:34 pm. The motion was seconded by Mr. Weaver and was unanimously approved.

Respectfully submitted by,



Petra S. Reynolds, Town Clerk

Approved by,



Charles R. Lipuma, Mayor

04/11/16

Date